



April 28, 2005

Highlights of the Conference Report to Accompany H. Con. Res. 95, Concurrent Budget Resolution for FY 2006

The Conference Report, H. Rept. 109-62, was filed on April 28, 2005.

Noteworthy

- On April 28, both the House of Representatives and the Senate proceeded to debate on the Conference Report to accompany H. Con. Res. 95, the Concurrent Budget Resolution, 2006. Passage of the budget resolution is critical because it provides the necessary parameters for the House and Senate to make their spending and tax decisions for the coming fiscal year.
- Under budget rules, the Senate is limited to 10 hours of debate on the conference agreement.
- The conference agreement sets total spending for fiscal year 2006 at \$2.58 trillion and total revenues at \$2.19 trillion. It caps discretionary spending in FY06 at \$843 billion. This allocation assumes an overall freeze on non-defense, non-homeland security programs at FY05 levels.
- The conference agreement would reduce the projected deficit from \$382.7 billion in 2006 to \$211 billion in 2010. Notably, the agreement achieves the President's goal of halving the deficit within five years from the level he projected last year for 2004, which was \$521 billion in nominal terms and 4.5 percent of GDP.
- The conference agreement includes a \$34.7 billion in reconciled mandatory spending reductions over five years, including \$10 billion from the Finance Committee's jurisdiction.
- The conference agreement includes instructions directing the Finance Committee to reduce taxes by no more than \$70 billion over the five-year budget window.

Highlights

Total Budget Authority

Conference Report '06 Budget Authority:	\$2.56 trillion
Senate-passed '06 Budget Authority:	\$2.56 trillion
House-passed '06 Budget Authority:	\$2.55 trillion

Total Revenues

Conference Report '06:	\$2.19 trillion
Senate-passed '06:	\$2.19 trillion
House-passed '06:	\$2.19 trillion

Reconciliation

Spending Reconciliation Instructions (Section 202(a))

The conference report instructs eight Senate committees to produce, by September 16, 2005, a net mandatory savings of \$34.658 billion over five years. Although the conference agreement may contemplate specific policies to set these savings targets, the authorizing committees may report any legislation within their jurisdictions that achieves the required savings. Consequently, the only binding effect of the instructions on the authorizing committees is the amount that must be saved.

<u>Authorizing Committee</u>	<u>Amount of Savings</u> (in billions)
Agriculture	3.000
Banking	0.470
Commerce	4.810
Energy	2.400
Environment & Public Works	0.027
Finance	10.000
Judiciary	0.300
HELP	13.651
TOTAL	34.658

Revenue Reconciliation Instructions (Section 202(b))

The conference agreement instructs the Finance Committee, not later than September 23, 2005, to produce a tax-relief bill that reduces taxes by no more than \$70 billion over the five-year budget window, and by no more than \$11 billion in FY 2006.

Statutory Debt Limit Reconciliation Instructions (Section 202 (c))

The conference agreement instructs the Finance Committee, not later than September 30, 2005, to produce a bill that increases the statutory debt limit by \$781 billion.

Budget Enforcement

Pay-as-you-go

The conference agreement continues the pay-as-you-go rule in the FY 2004 Budget Resolution, the last budget agreed to by the full Congress. This rule establishes a 60-vote point of order against legislation that would increase the deficit beyond the level assumed in the FY 2006 Budget Resolution in FY 2006, the five-year period from FY 2006-2010, or the five-year period from FY 2011-2016.

Section 401: Restrictions on Advance Appropriations: similar to section 401 of the Senate-passed resolution.

Section 402(b): Emergency Legislation: similar to section 402 of the Senate-passed resolution. The conference agreement also provides for up to \$50 billion in supplemental appropriations in 2006 for overseas contingent operations related to the global war on terrorism.

Section 403: Supermajority Enforcement: similar to section 403 of the Senate-passed resolution.

Section 404: Discretionary Spending Limits in the Senate

The conference agreement sets out congressional discretionary spending limits with respect to both budget authority and outlays for the first year covered by the budget resolution. The discretionary caps follow:

FY 2006:

New Budget Authority:	\$842.265 billion ¹
Discretionary Outlays:	\$916.081 billion

FY 2007

New Budget Authority:	\$866.038 billion
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¹ Cap adjustments will bring the FY06 total to \$843 billion.

FY 2008

New Budget Authority: \$887.005 billion

Limitation on Long-Term Spending Proposals: similar to section 407 of the Senate-passed resolution.

Bill Provisions

Defense Spending (Function 050)

Conference Report '06 Spending Level: \$441.6 billion

Senate-passed '06 Spending Level: \$491.6 billion

House-passed '06 Spending Level: \$441.6 billion

The conference agreement assumes a \$50 billion reserve in supplemental appropriations for costs associated with ongoing military operations in Iraq and Afghanistan. It is not an attempt to predetermine the scope or intensity of operations, troop levels, or which weapons and supplies the Department of Defense will need, but rather to make the budget reflect the likely expenditure.

International Affairs (Function 150)

Conference Report '06 Spending Level: \$30.9 billion

Senate-passed '06 Spending Level: \$32.9 billion

House-passed '06 Spending Level: \$31.7 billion

General Sciences, Space, and Technology (Function 250)

Conference Report '06 Spending Level: \$24.7 billion

Senate-Passed '06 Spending Level: \$24.7 billion

House-Passed '06 Spending Level: \$24.7 billion

Energy (Function 270)

Conference Report '06 Spending Level: \$3.2 billion

Senate-Passed '06 Spending Level: \$3.2 billion

House-Passed '06 Spending Level: \$3.1 billion

Natural Resources and Environment (Function 300)

Conference Report '06 Spending Level: \$30.0 billion

Senate-Passed '06 Spending Level: \$30.0 billion

House-Passed '06 Spending Level: \$30.5 billion

Agriculture (Function 350)

Conference Report '06 Spending Level: \$29.4 billion

Senate-Passed '06 Spending Level: \$29.1 billion

House-Passed '06 Spending Level: \$29.5 billion

Commerce and Housing Credit (Function 370)

Conference Report '06 Spending Level: \$6.2 billion

Senate-Passed '06 Spending Level: \$5.8 billion

House-Passed '06 Spending Level: \$6.2 billion

Transportation (Function 400)

Conference Report '06 Spending Level: \$73.0 billion

Senate-Passed '06 Spending Level: \$69.7 billion

House-Passed '06 Spending Level: \$70.0 billion

Community and Regional Development (Function 450)

Conference Report '06 Spending Level: \$14.5 billion

Senate-Passed '06 Spending Level: \$15.2 billion

House-Passed '06 Spending Level: \$14.2 billion

Education (Function 500)

Conference Report '06 Spending Level: \$97.4 billion

Senate-Passed '06 Spending Level: \$98.4 billion

House-Passed '06 Spending Level: \$92.0 billion

Health (Function 550)

Conference Report '06 Spending Level: \$262.3 billion

➤ No savings are assumed in FY06 in the Medicaid Program.

Senate-Passed '06 Spending Level: \$264.0 billion

House-Passed '06 Spending Level: \$262.2 billion

Medicare (Function 570)

Conference Report '06 Spending Level: \$331.2 billion

Senate-Passed '06 Spending Level: \$331.2 billion

House-Passed '06 Spending Level: \$331.2 billion

Income Security (Function 600)

Conference Report '06 Spending Level: \$347.6 billion

Senate-Passed '06 Spending Level: \$347.4 billion

House-Passed '06 Spending Level: \$347.2 billion

Social Security (Function 650)

Conference Report '06 Spending Level: \$546.8 billion

Senate-Passed '06 Spending Level: \$546.8 billion

House-Passed '06 Spending Level: \$547.0 billion

Veterans' Benefits and Services (Function 700)

Conference Report '06 Spending Level: \$69.0 billion

Senate-Passed '06 Spending Level: \$69.0 billion
House-Passed '06 Spending Level: \$68.9 billion

Administration of Justice (Function 750)

Conference Report '06 Spending Level: \$41.0 billion
Senate-Passed '06 Spending Level: \$42.0 billion
House-Passed '06 Spending Level: \$40.8 billion

General Government (Function 800)

Conference Report '06 Spending Level: \$17.9 billion
Senate-Passed '06 Spending Level: \$18.1 billion
House-Passed '06 Spending Level: \$18.0 billion

Reserve Funds

In general, a reserve fund permits the Chairman of the Budget Committee to increase the section 302 allocation and other appropriate levels set out in this resolution (including, in some cases, the discretionary spending limits) once certain conditions have been met. The authority to make these adjustments is solely within the discretion of the Chairman, and may be made when the committee of jurisdiction reports a measure that satisfies all of the conditions set out in the reserve fund.

Section 301: Adjustment of Surface Transportation: similar to section 308 of the Senate-passed resolution.

Section 302: Deficit-neutral reserve fund for the Family Opportunity Act: similar to section 312 of the Senate-passed resolution.

Section 303: Reserve Fund for Pell Grant Shortfall: same as section 305 of the Senate-passed resolution.

Section 304: Reserve Fund for the Uninsured: same as section 303 of the Senate-passed resolution.

Section 305: Reserve Fund for the disposal of underutilized Federal Real Estate Property: establishes a reserve fund in the House of Representatives.

Section 306: Reserve Fund for Health Insurance Technology and Pay-For-Performance: same as section 301 of the Senate-passed resolution.

Section 307: Reserve Fund for Asbestos Injury Trust Fund: similar to section 302 of the Senate-passed Resolution.

Section 308: Reserve Fund for Energy Legislation: same as section 307 of the Senate-passed resolution.

Section 309: Reserve Fund for Safe Importation of Prescription Drugs: same as section 308 of the Senate-passed resolution.

Section 310: Deficit neutral reserve fund for the restoration of SCHIP funds: same as section 310 of the Senate-passed resolution.